

Message Text

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ACTION SS-25

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC NIACT IMMEDIATE 5544

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 4099

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E. O. 11652: GDS

TAGS: OVIP (SIMMON, WILLIAM E.)

SUBJECT: AGREED JOINT COMMUNIQUE ON SECRETARY'S VISIT

1. SUMMARY. FOLLOWING IS ADVANCE COPY OF TEXT OF JOINT COMMUNIQUE BY MINISTER OF FINANCE SIMONSEN AND SECRETARY SIMON. EMBASSY IS TRANSMITTING TEXT BECAUSE COMMUNIQUE AFFECTS CONSULTATIVE STRUCTURE ESTABLISHED BY MEMORANDUM OF UNDERSTANDING OF FEBRUARY 21, 1976. END SUMMARY.

2. THE FOLLOWING IS THE TEXT OF A COMMUNIQUE WHICH HAS NOW BEEN CLEARED BY THE BRAZILIAN SIDE. THE TEXT HAS BEEN CLEARED, IN ADDITION TO SIMONSEN AND SIMON, BY FOREIGN MINISTER SILVEIRA AND ENDORSED BY PRESIDENT GEISEL. IT IS INTENDED FOR RELEASE AT 10:00 AM BRAZILIAN TIME (9:00 AM WASHINGTON TIME), TUESDAY, MAY 11.

3. QUOTE. JOINT COMMUNIQUE OF MARIO HENRIQUE SIMONSEN, MINISTER OF FINANCE OF BRAZIL AND WILLIAM E. SIMON, SECRETARY OF THE TREASURY OF THE UNITED STATES MAY 11, 1976
THE SECRETARY OF THE TREASURY, WILLIAM E. SIMON, CONCLUDED TODAY HIS VISIT TO BRASILIA. DURING HIS VISIT, THE SECRETARY MET WITH PRESIDENT GEISEL, FINANCE MINISTER SIMONSEN AND MINISTERS SILVEIRA, REIS VELLOSO, PAULINELLI, UEKI, AND THE SECRETARY OF INDUSTRY AND COMMERCE BELLOTTI. SECRETARY SIMON'S DISCUSSIONS WITH BRAZILIAN
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LEADERS COVERED A BROAD RANGE OF ECONOMIC TOPICS OF MAJOR INTEREST TO THE TWO GOVERNMENTS AND WERE MARKED BY A SPIRIT OF CORDIALITY.

AT THE CONCLUSION OF THEIR MEETINGS IN BRASILIA, THE SECRETARY AND MINISTER SIMONSEN ANNOUNCED A NUMBER OF SPECIFIC RESULTS WHICH ARE A PRACTICAL DEMONSTRATION OF THE CLOSE TIES BETWEEN THE U.S. AND BRAZIL AND OPEN SIGNIFICANT OPPORTUNITIES FOR FUTURE COLLABORATIVE EFFORTS OF MAJOR BENEFIT TO THE TWO COUNTRIES.

SECRETARY SIMON AND MINISTER SIMONSEN AGREED THAT A RESOLUTION OF KEY BILATERAL TRADE ISSUES WOULD PROVIDE MAJOR IMPETUS TO AN EXPANSION OF TRADE AND INVESTMENT BETWEEN THE U.S. AND BRAZIL AND DEEPEN THE RELATIONSHIP BETWEEN THEM. THEY AGREED, THEREFORE, THAT THIS GOAL SHOULD BE GIVEN THEIR PERSONAL AND PRIORITY ATTENTION. AFTER A SERIES OF MEETINGS THEY REACHED AGREEMENT ON A NUMBER OF IMPORTANT MEASURES IN ACHIEVEMENT OF THIS IMPORTANT GOAL.

MINISTER SIMONSEN ANNOUNCED HIS GOVERNMENT'S INTENTION TO ADJUST EXPORT INCENTIVES IN ORDER TO AVOID BARRIERS TO THE INCREASE OF BRAZILIAN EXPORTS.

WITH RESPECT TO FOOTWEAR, MINISTER SIMONSEN WELCOMED THE RECENT DECISION TAKEN BY THE PRESIDENT OF THE UNITED STATES NOT TO INCREASE IMPORT BARRIERS ON FOOTWEAR FROM BRAZIL. THE MINISTER CONFIRMED THAT NO MORE EXPORT INCENTIVES ON FOOTWEAR ARE BEING PROVIDED THAN THERE WERE IN 1974 AND THAT THE NOTED ADJUSTMENTS IN THE EXPORT INCENTIVES OF BRAZIL ASSURE THAT THE UTILIZATION OF TAX CREDITS IS NO HIGHER THAN IN 1973. SECRETARY SIMON WELCOMED THESE DEVELOPMENTS AND AGREED THAT THE PRESENT COUNTERVAILING DUTIES ON FOOTWEAR WOULD NOT BE REEVALUATED UNTIL THE LAST QUARTER OF NEXT YEAR.

MINISTER SIMONSEN INDICATED THAT THE BRAZILIAN GOVERNMENT WOULD ALSO ADJUST ITS TAX CREDIT PROGRAM ON EXPORTS OF LEATHER HANDBAGS. SECRETARY SIMON INDICATED THAT THIS ACTION WOULD ENABLE THE UNITED STATES TO WAIVE COUNTERVAILING DUTIES IMPOSED ON IMPORTS OF LEATHER HANDBAGS FROM BRAZIL AND AGREED TO TAKE SUCH ACTION EFFECTIVE JULY 1, 1976.

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MINISTER SIMONSEN EXPRESSED HIS CONCERN TO SECRETARY SIMON OVER THE POSSIBILITY OF TRADE RESTRICTIONS AGAINST BRAZILIAN EXPORTS TO THE UNITED STATES BECAUSE OF TAX CREDITS GRANTED BY THE BRAZILIAN GOVERNMENT ON EXPORTS OF SOYBEAN OIL. HE AGREED WITH SECRETARY SIMON ON THE IMPORTANCE OF AVOIDING SUCH ACTION.

TOWARD THIS OBJECTIVE, MINISTER SIMONSEN INFORMED SECRETARY SIMON OF THE BRAZILIAN GOVERNMENT'S DECISION TO ADJUST EXPORT INCENTIVES ON SOYBEAN OIL EXPORTS. AS A RESULT OF THIS ACTION, SECRETARY SIMON INDICATED HE DID NOT BELIEVE THAT A COMPLAINT

BY U.S. PRODUCERS WOULD BE FILED UNDER SECTION 301 OF THE
TRADE ACT AND THAT THE ISSUE HAS BEEN SATISFACTORILY RESOLVED.

RECOGNIZING THE IMPORTANCE TO RELATIONS BETWEEN THE U.S. AND
BRAZIL OF AVOIDING DISAGREEMENTS OVER INCENTIVES AND COUNTER-
VAILING POLICY, MINISTER SIMONSEN AND SECRETARY SIMON AGREED
TO CONSULT FULLY ON INCENTIVE-COUNTERVAIL ISSUES. AS FOR ANY
U.S. INVESTIGATIONS OF COUNTERVAILING COMPLAINTS CONCERNING
BRAZILIAN EXPORTS SECRETARY SIMON INDICATED THAT THE U.S. WILL
CONSULT WITH THE BRAZILIAN GOVERNMENT ON ALL ASPECTS OF ANY
SUCH CASES.

THE MINISTER AND THE SECRETARY ALSO AGREED THAT BOTH GOVERN-
MENTS SHOULD DISCUSS MARKETING AND WAYS TO PROMOTE DEMAND AND
USAGE OF SOYBEAN, SOYBEAN MEAL AND SOYBEAN OIL.

MINISTER SIMONSEN AND SECRETARY SIMON AGREED THAT THE ABOVE
MEASURES REPRESENT A MAJOR CONTRIBUTION TOWARD THE DEVELOPMENT
OF A SOUND AND SYNNAMIC TRADING RELATIONSHIP BETWEEN THE
UNITED STATES AND BRAZIL. THEY AGREED THAT A HOSPITABLE CLIMATE
FOR INVESTMENT AND CAPITAL FLOWS WAS ALSO OF GREAT IMPORTANCE.
IN THIS CONNECTION, THE SECRETARY AND THE MINISTER AGREED ON THE
IMPORTANCE OF A TREATY BETWEEN THE TWO COUNTRIES TO AVOID
DOUBLE TAXATION, AND AGREED THAT THEIR TAX EXPERTS SHOULD MEET
IN THE NEAR FUTURE TO DISCUSS THE PROVISIONS THAT MIGHT BE
INCORPORATED IN SUCH A TAX TREATY.

SECRETARY SIMON DISCUSSED WITH THE BRAZILIAN MINISTERS BRAZIL'S
DEVELOPMENT PLANS AND PROSPECTS, AND IN PARTICULAR, CAPITAL
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PROJECTS UNDER CONSIDERATION IN BRAZIL WHICH COULD BE FACILI-
TATED BY U.S. INVESTMENT. SECRETARY SIMON EXPRESSED HIS BELIEF
THAT U.S. INVESTMENT IN BRAZIL, WHICH NOW EXCEEDS OVER \$3
BILLION, WILL CONTINUE TO GROW AND MAKE A SIGNIFICANT CONTRI-
BUTION TO BRAZIL'S DEVELOPMENT EFFORTS. HE AGREED TO BRING KEY
BRAZILIAN PROJECTS TO THE ATTENTION OF THE PRIVATE SECTOR IN
THE UNITED STATES.

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ACTION SS-25

INFO OCT-01 ISO-00 AS-01 SSO-00 /027 W

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C O N F I D E N T I A L SECTION 2 OF 2BRASILIA 4099

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SECRETARY SIMON NOTED THAT THE SHARP INCREASES IN OIL PRICES HAS SHIFTED THE PATTERN OF THE WORLD'S SURPLUS INVESTMENT FUNDS. HE EXPRESSED HIS BELIEF THAT THIS SHIFT HAS CREATED IMPORTANT OPPORTUNITIES FOR COUNTRIES SUCH AS BRAZIL, AS IT SEEKS CAPITAL TO DEVELOP A VIABLE RAPIDLY GROWING INDUSTRIAL/AGRICUTLTURAL ECONOMY. SECRETARY SIMON AND MINISTER SIMONSEN AGREED ON THE IMPORTANCE OF CLOSE COLLABORATION TO MAXIMIZE THESE OPPORTUNITIES. THEY AGREED TO WORK TOGETHER TO FACILITATE TRIPARTITE INVESTMENTS, JOINING U.S. AND BRAZILIAN ENTERPRISES IN PARTNERSHIP WITH THE OIL-PRODUCING COUNTRIES FOR PRODUCTIVE INVESTMENTS IN BRAZIL, FOR THE BENEFIT OF EACH OF THE PARTIES. THE SECRETARY AND THE MINISTER AGREED THAT THE OPPORTUNITIES FOR BILATERAL AND TRIPARTITE INVESTMENT IN BRAZIL WERE EXTENSIVE.

MINISTER SIMONSEN EXPLAINED TO SECRETARY SIMON THE PROGRAMS AND POLICES BRAZIL HAS UNDERTAKEN TO CONSOLIDATE ITS ECONOMIC ACCOMPLISHMENTS AND TO ATTAIN INTERNAL AND EXTERNAL EQUILIBRIUM FOR THE LONG-TERM. THE MINISTER EXPRESSED HIS CONCERN ABOUT THE EXISTING DEFICIT FOR BRAZIL IN THE TRADE BALANCE WITH THE UNITED STATES, AND HIS DESIRE THAT TRADE EQUILIBRIUM BE ACHIEVED THROUGH THE INCREASE OF BRAZILIAN EXPORTS TO THE U.S. MARKET. SECRETARY SIMON EXPRESSED HIS VIEW THAT BRAZIL'S ECONOMIC PROSPECTS REMAINED HIGHLY FAVORABLE. SECRETARY SIMON
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FELT THAT BRAZILIAN ECONOMIC POLICIES SHOULD BE EFFECTIVE IN ACHIEVING GREATER PRICE STABILITY AND EQUILIBRIUM IN BRAZIL'S BALANCE OF PAYMENTS POSITION, AND THAT THESE EFFORTS MERITED THE CONFIDENCE OF FOREIGN INVESTORS AND LENDING INSTITUTIONS.

DURING THEIR MEETINGS, SECRETARY SIMON AND MINISTER SIMONSEN ALSO EXCHANGED VIEWS ON CONDITIONS PREVAILING IN THE MAJOR FOREIGN EXCHANGE MARKETS OF THE WORLD AND ON OTHER TOPICS OF CURRENT INTEREST IN THE INTERNATIONAL MONETARY AREA. THEY ALSO DISCUSSED THE POLICIES AND PROSPECTS OF THE INTERNATIONAL FINANCIAL INSTITUTIONS.

SECRETARY SIMON AND MINISTER SIMONSEN AGREED ON THE IMPORTANCE OF CONTINUING THE DIALOGUE BETWEEN THEM ON ISSUES OF MAJOR SIGNIFICANCE IN THE ECONOMIC AND FINANCIAL AREA. WITHIN THE FRAMEWORK OF THE MEMORANDUM OF

UNDERSTANDING SIGNED FEBRUARY 21, 1976 AND TO UNDER-
SCORE THE IMPORTANCE OF CONTINUED CONSULTATIONS AND TO PROVIDE A
MORE FORMAL MECHANISM IN WHICH THESE DISCUSSIONS CAN TAKE
PLACE, THE MINISTERS AGREED TO ESTABLISH AND CO-CHAIR A CON-
SULTATIVE GROUP ON TRADE, INVESTMENT, AND FINANCIAL ISSUES
WITHIN THE AREA OF RESPONSIBILITY OF THE DEPARTMENT OF TREASURY
AND OF THE MINISTER OF FINANCE. THE MINISTERS WILL DESIGNATE
CO-EXECUTIVE SECRETARIES FOR SUPPORT OF THE CONSULTATIVE GROUP.

IN CONCLUDING HIS VISIT TO BRASILIA, SECRETARY SIMON INDICATED
TO MINISTER SIMONSEN THAT IN HIS VIEW THE MEASURES THAT HE
AND MINISTER SIMONSEN HAD AGREED UPON DURING HIS VISIT REPRES-
ENTED A SIGNIFICANT DEVELOPMENT IN THE OVERALL RELATIONSHIP
BETWEEN THE TWO COUNTRIES, HERALDING THE PROSPECT FOR BROADER
AND MORE INTENSIVE TIES BETWEEN THE UNITED STATES AND BRAZIL
THAT WOULD PROVE OF SUBSTANTIAL BENEFIT TO THE TWO COUNTRIES.
SECRETARY SIMON EXPRESSED HIS GOVERNMENT'S DETERMINATION TO
BUILD ON THE IMPRESSIVE FRAMEWORK OF THE CURRENT RELATIONSHIP
BETWEEN THE U.S. AND BRAZIL AND TO ADD TO THE ACCOMPLISHMENTS
WHICH HAD RESULTED FROM HIS VISIT AND THE VISIT OF SECRETARY
KISSINGER EARLIER THIS YEAR.

MINISTER SIMONSEN AGREED THAT THE ECONOMIC RELATIONSHIP BETWEEN
THE UNITED STATES AND BRAZIL HAD BEEN ENHANCED AS A RESULT OF
SECRETARY SIMON'S VISIT AND EXPRESSED HIS CONVICTION THAT THE
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MEASURES THEY HAVE ANNOUNCED TODAY WILL BE OF MAJOR BENEFIT
TO BOTH COUNTRIES.

4. COMMENT: WE CALL ATTENTION TO NEXT-TO-LAST PARAGRAPH
PROVIDING FOR THE ESTABLISHMENT OF A CONSULTATIVE ENTITY.
INTRODUCTORY CLAUSE OF SECOND SENTENCE QUOTE IN THE FRAME-
WORK OF THE MEMORANDUM OF UNDERSTANDING UNQUOTE WAS INSERTED
AT SILVEIRA'S REQUEST WHICH THE AMBASSADOR UNDERSTANDS
FROM MINISTER SIMONSEN WAS ENDORSED BY PRESIDENT GEISEL.
THE EMBASSY WELCOMES THE CHANGE, GIVEN THE OVERLAPPING
NATURE AND POTENTIAL CONFLICT OF THIS CONSULTATIVE
ENTITY WITH THE STRUCTURE ENVISAGED UNDER THE MEMORANDUM OF
UNDERSTANDING. THE EMBASSY CONSIDERS THAT WITH THE
SILVEIRA ADDITION THE PRESENT LANGUAGE DEFINING THE NEW
ENTITY DOES NOT DO EXCESSIVE OR IRREPARABLE DAMAGE TO THE
STRUCTURE OF THE MECHANISM ESTABLISHED BY THE
MEMORANDUM OF UNDERSTANDING. FURTHERMORE, WE UNDERSTAND
FROM MEMBERS OF SECRETARY SIMON'S PARTY THAT THIS CONCEPT
OF A CONSULTATIVE ENTITY HAD BEEN DISCUSSED AND AGREED
TO IN WASHINGTON.

5. IF THE SECRETARY HAS DIFFICULTIES WITH THE PRESENT FOR-
MULATION IN THE COMMUNIQUE, THESE MUST BE MADE KNOWN
TO SECRETARY SIMON SONNEST, GIVEN THE RELEASE TIME INDICATED

ABOVE.
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